STAFF PENSION PLAN FOR EMPLOYEES OF THE SASKATCHEWAN LEGAL AID COMMISSION

FINANCIAL STATEMENTS

For the Year Ended December 31, 2003

Provincial Auditor Saskatchewan

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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan.

I have audited the statement of net assets available for benefits of the Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission (Plan) as at December 31, 2003 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2003 and changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 17, 2004

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

STAFF PENSION PLAN FOR EMPLOYEES OF THE SASKATCHEWAN LEGAL AID COMMISSION
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
As at December 31

	2003	2002
Assets		
Investments (Note 3)		
Forfeiture account	$ 22	$ 627
Guaranteed funds	3,228,683	2,794,521
Pooled funds	8,563,279	7,036,801
	11,791,984	9,831,949
Prepaid Expenses	5,287	—
Total assets	11,797,271	9,831,949
Liabilities		
Administration expenses payable	—	845
Net Assets Available for Benefits (Statement 2)	$ 11,797,271	$ 9,831,104

(See accompanying notes to the financial statements)

Statement 2

STAFF PENSION PLAN FOR EMPLOYEES OF THE SASKATCHEWAN LEGAL AID COMMISSION
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For The Year Ended December 31

	2003	2002
Increase in Assets		
Investment income		
Interest	$ 133,557	$ 124,064
Current period change in market values of Pooled investments	1,113,131	—
Contributions		
Member's required	421,822	421,233
Member's voluntary	840	690
Employer's required	421,822	421,233
Total increase in assets	2,091,172	967,220
Decrease in Assets		
Current period change in market values of Pooled investments	—	962,454
Administration expenses (Note 4)	30,643	40,102
Transfers and refunds	94,362	438,463
Total decrease in assets	125,005	1,441,019
Increase (decrease) in net assets	1,966,167	(473,799)
Net assets available for benefits at beginning of year	9,831,104	10,304,903
Net Assets Available for Benefits at end of year (Statement 1)	$ 11,797,271	$ 9,831,104

(See accompanying notes to the financial statements)

STAFF PENSION PLAN FOR EMPLOYEES OF THE
SASKATCHEWAN LEGAL AID COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

1. Description of Plan

The following description is in summary only. For more complete information, reference should be made to the Plan document.

a) General

The Staff Pension Plan for Employees of The Saskatchewan Legal Aid Commission (Plan) is a defined contribution plan registered under *The Pension Benefits Act, 1992* of Saskatchewan (the Act).

The Plan was established as the Staff Pension Plan for the Employees of the Saskatchewan Community Legal Services Commission on November 1, 1977. The Plan was amended and the new name created as at September 1, 1983.

b) Administration

Effective January 1, 1996, the Plan is administered and sponsored by a joint trustees arrangement. The joint trustees consist of four members, two appointed by The Saskatchewan Legal Aid Commission (Commission), and two appointed by C.U.P.E., Local 1949. Day-to-day administration is provided by the Commission for the Trustees.

Prior to January 1996, the Trustees had an agreement with the North American Life Assurance Company (NALAC) to serve as the Plan's investment agency, investment custodian, and record keeper. Effective January 1, 1996, NALAC amalgamated with the Manufacturers Life Insurance Company (Manulife Financial) and this agreement continues with Manulife Financial.

c) Contributions

All employees hired on or after January 1, 1996 contribute 5% of their earnings each year. Employees hired prior to January 1, 1996 contribute between 5% and 8% of their earnings. This amount is matched by the Commission. The Commission's contributions are vested after two years of service and all members' contributions made before 1994 are considered additional voluntary contributions. The Commission's contributions made before 1994 are considered required contributions and subject to the minimum requirements of the Act.

Members may make additional voluntary contributions which are not matched by the Commission.

d) Retirement, termination, or death

Upon retirement from employment, termination or death, a member's pension benefits, subject to vesting status, must be transferred from the Plan to another financial institution. Effective September 1, 2000, a member whose employment is terminated with the Commission must elect to transfer benefits from the Plan. If the member fails to make an election within 90 days after being provided with a statement outlining options and deadlines, the member's account will be transferred to a deferred life annuity which is not commutable. Effective April 1, 2002, a member eligible to retire may transfer funds from the pension plan directly to a prescribed RRIF, subject to spousal consent.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policy is considered significant:

Investments:

Investments in Guaranteed funds are valued at cost plus interest earned on the funds which approximates market value.

Investments in Pooled funds are recorded at market value which are determined by reference to closing year end unit prices. Current period changes in value of Pooled funds are accounted for in the Statement of Changes in Net Assets Available For Benefits.

For investments held, fair value approximates quoted market values.

Interest income is recorded as earned.

3. Investments

The Plan allows participating members to invest in either the Guaranteed or Pooled funds. These funds offer a choice of different levels of income and growth, guarantees and risk taking.

The members' interest rate risk arises from the potential adverse consequences of interest rate changes on the value of the Plan's assets.

The members' credit risk for Guaranteed funds are minimal as all investments consist of Guaranteed Investment Certificates (GICs). For Pooled funds, the Trustee's Statement of Investment Policy and Goals[1] limits members' credit risk by requiring investment dealings to be with investees and counterparts considered to be of high quality and by setting the following investment limits and constraints:

- Investment in foreign equities is subject to any maximum established by the *Income Tax Act* (Canada);
- Aggregate investments of any one issuer other than the Government of Canada or a province, should not exceed 10% of the market value of the total portfolio held within any pooled fund;

[1] The Trustee's Statement of Investment Policy and Goals is in accordance with *The Pension Benefits Act, 1992.*

- No investments will be permitted in real estate or resource properties;
- No investment in venture capital funds shall be permitted;
- All investments will satisfy the criteria established by the *Income Tax Act* (Canada) and *The Pension Benefits Act, 1992* (Saskatchewan);
- No borrowing by the Plan sponsor or any other party involved in the management of the pension fund is allowed; and,
- No derivative instruments such as options, futures, warrants can be used in a speculative manner but they will be allowed under a hedging strategy.

Forfeiture Account: This account represents non-vested benefits forfeited by terminated employees. This fund is made up of a current interest bearing account .

Guaranteed funds: The Guaranteed funds offered by the Plan are managed by Manulife Financial. These funds are made up of a current interest bearing account and GICs from 1 to 10 years in length.

Pooled funds: The Pooled funds are managed by various investment managers under contract with Manulife Financial. The Funds have no fixed interest rate and the Pooled funds return is based on the performance of the funds. These funds include investment in the following Manulife Financial Funds at December 31, 2003:

Seamark Balanced Fund: This fund is managed to preserve capital and minimize market value fluctuations while generating superior long-term returns through capital gains augmented by current income. The fund invests in fixed income and equity investments.

Global Pooled Canadian Index Fund: The investment objective of this fund is to achieve investment results that approximate the total return of the S&P/TSX Composite index, one of the most watched indexes of the Canadian Equity Market. During the year the name of the fund was changed from the Canadian Equity Index Fund.

McLean Budden Canadian Equity Growth Fund: This fund invests in a diversified portfolio of Canadian stocks and convertible securities.

AGF American Growth Fund: Primary investments are in shares of market-leading American companies that have demonstrated an ability to grow sales, earnings and cash flows.

Seamark International Equity Fund: This international stock fund invests in equity securities of companies domiciled outside of Canada and the United States.

McLean Budden Balanced Growth Fund: This fund invests in Canadian and foreign equities and fixed income securities issued by Canadian governments and corporations.

McLean Budden Fixed Income Fund: This fund invests in a diversified portfolio of high quality Canadian debt securities such as bonds, debentures and T-Bills.

Elliott & Page Money Fund: This fund invests in high quality, short-term fixed income securities maturing within 365 days of acquisition, including securities issued or guaranteed by Canadian federal or provincial governments or their agencies, Canadian chartered banks, or loan or trust companies licensed or registered in Canada. This fund was capped to new deposits at September 30, 2002.

Canadian Money Market Fund: This fund invests primarily through investments in money market securities backed by the Government of Canada, its Provinces or Municipalities, corporations and chartered banks with terms to maturity less than two years.

Investments at December 31	Market Value	
	2003	2002
Forfeiture Account:		
Current Interest Deposit Account	$ 22	$ 627
Guaranteed funds:		
Current Interest Deposit Account	84,462	30,583
1 Year Term	354,968	287,426
2 Year Term	40,556	34,797
3 Year Term	185,182	144,746
4 Year Term	11,438	3,928
5 Year Term	2,543,035	2,293,041
10 Year Term	9,042	—
	3,228,683	2,794,521
Pooled funds:		
Seamark Balanced Fund	2,644,764	2,256,896
Global Pooled Canadian Index Fund	1,375,851	1,118,366
McLean Budden Canadian Equity Growth Fund	1,352,997	995,426
AGF American Growth Fund	758,922	674,063
Seamark International Equity Fund	872,379	771,522
McLean Budden Balanced Growth Fund	870,462	738,111
McLean Budden Fixed Income Fund	571,016	432,267
Canadian Money Market Fund	112,680	4,373
Elliott & Page Money Fund	4,208	45,777
	8,563,279	7,036,801
Total investments	$ 11,791,984	$ 9,831,949

4. Administration Expenses

The Plan has an agreement with Aon Consulting Inc. to help administer the annual operating expenditures associated with the Plan's administration. The Pension Plan Document allows for the payment of the following expenses from the pension fund:

- The fees of the investment manager and fund custodian; and
- Any expenses reasonably and properly incurred by the Trustees in the administration and operation of the Pension Plan and Pension Fund.

Any forfeited amounts which arise shall be applied towards the payment of any fees and expenses incurred by the plan.

5. Related Party Transactions

Transactions with the Commission (a related party) and amounts due to or from it are described separately in these financial statements and the notes thereto.

The day-to-day administration provided by the Commission and Trustees are provided without charge to the plan.

6. Investment performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives. The Trustees review the investment performance of the plan in terms of the performance of benchmark portfolio over 4 year rolling periods. The primary long-term investment performance objective for the entire portfolio is to out perform a benchmark portfolio.

Each member makes the investment selection of the member and Commission contributions. The Plan allows participating members to invest in either Guaranteed or Pooled funds. These funds offer a choice of different levels of income and growth, guarantees and risk taking.

The following is a summary of the Plan's investment performance at December 31, 2003 (2002):

	Actual Rate of Return 2003 (2002)(a)	One Year Average Investment Objective Return (b)	Rolling Four Year Average Rate of Return (b)	Rolling Four Year Average Investment Objective Return (b)	Investment Objectives
GICs 1 year 2 year 3 year 4 year 5 year 10 year	Range during the year: 1.475% to 2.4% (1.15% to 2.275%) 1.875% to 2.65% (2.4% to 3.025%) 2.375% to 3.15% (3.025% to 3.65%) 2.775% to 3.4% (3.40% to 4.275%) 3.025% to 3.775% (3.775% to 4.65%) 3.975% to 4.525% (4.40% to 5.125%)		Not applicable	Not applicable	90% of the average guaranteed rate of return offered by a group of 5 financial institutions for the same period
Manulife Seamark Balanced Fund	13.9% (-6.1%)	14.6% (-4.05%)	7.1% (7.9%)	2.7% (3.04%)	107.5% of the return on the benchmark portfolio
Manulife Global Pooled Canadian Index Fund	26.6% (-12.7%)	26.47% to 26.97% (-12.44%)	.9% (1.9%)	.78% to 1.28% (2.01%)	±0.25% p.a. of the return on the S&P/TSX Capped Composite Index
Manulife McLean Budden Canadian Equity Growth Fund	30.7% (-14.1%)	29.4% (-11.19%)	7.6% (6.8%)	1.1% (2.22%)	110% of the return on the S&P/TSX Capped Composite Index
Manulife AGF American Growth Fund	5.0% (-28.0%)	6.7% (-20.74%)	-13.6% (-9.8%)	-7.1% (-5.52%)	110% of the return on the S & P 500 Composite Total Return Index ($CDN)
Manulife Seamark International Equity Fund	8.9% (-18.0%)	15.7% (-15.27%)	-2.7% (4.0%)	-7.5% (-6.54%)	110% of the return on the MSCI/EAFE Index
Manulife McLean Budden Balanced Growth Fund	14.4% (-8.9%)	14.6% (-4.05%)	5.1% (5.1%)	2.7% (3.04%)	107.5% of the return on the benchmark portfolio
Manulife McLean Budden Fixed Income Fund	6.5% (8.0%)	7.0% (9.17%)	8.6% (6.5%)	8.8% (6.7%)	105% of the return on the Scotia Capital Universe Bond Index
Manulife Elliott & Page Money Fund	2.9% (2.6%)	2.9% (2.5%)	3.8% [c] (4.19%)	3.9% (4.33%)	100% of the return on the Scotia Capital 91 days T-Bills Index
Manulife Canadian Money Market Fund	3.0% (2.8%)	2.9% (2.5%)	(not available)[c]	3.9% (4.33%)	100% of the return on the Scotia Capital 91 days T-Bills Index

a) Rates of return are before deducting investment expenses. Source: Manulifes Financial's web-site
b) Source: Aon Consulting Inc.
c) The Elliott and Page Money Market Fund was closed to new deposits effective September 30, 2002. All new deposits to Money Market accounts after September 30, 2002 were invested in the Manulife Canadian Money Market Fund, therefore, this fund can only report a 1 year rate of return as of December 31, 2003. The reported 1 year return for the Manulife Canadian Money Market Fund was 3.03%, 12 basis points above the performance of the Scotia Capital 91-day T-Bill for the same period.